

VA Financial Policies and Procedures
Required Supplementary Stewardship Information:
Non-Federal Physical Property

CHAPTER 7

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0701 OVERVIEW

This chapter establishes the Department of Veterans Affairs (VA) financial policies and procedures relating to VA's non-Federal physical property stewardship investments as defined in the Office of Management and Budget (OMB) Circular A-136. Non-Federal physical property investments is one of VA's three stewardship investment categories presented as unaudited Required Supplementary Stewardship Information (RSSI) in the audited consolidated financial statements. Non-Federal physical property is an expense included in the calculation of net cost incurred by VA for the purchase, construction or major renovation of physical property owned by state and local governments. The other two categories are as follows:

- RSSI: Human Capital (see Volume III, Chapter 8)
- RSSI: Research and Development (see Volume III, Chapter 9)

VA's non-Federal physical property is comprised of State Extended Care Facilities and Veterans' cemeteries. These investments can be provided through direct Federal spending or through grants to State Governments (or, for Veterans' cemeteries, grants to tribal governments).

Federal financial reporting requires the Federal Government to report on its stewardship over certain resources entrusted to it and certain responsibilities assumed by it that cannot be measured in traditional financial reports. These resources and responsibilities do not meet the criteria for assets and liabilities that are required to be reported in the financial statements but are important to understanding the operations and financial condition of the Federal Government at the date of the financial statements and in subsequent periods.

070101 AUTHORITY FOR RSSI: NON-FEDERAL PHYSICAL PROPERTY. VA will provide Federal grants upon approval to States for constructing State home facilities or for acquiring a facility to be used as a State home facility, in accordance with 38 U.S.C. 8131-8137. In addition, VA will provide financial assistance for the establishment, expansion and improvement of Veterans' cemeteries in accordance with 38 U.S.C. 2408.

070102 ACTIONS FOR RSSI: NON-FEDERAL PHYSICAL PROPERTY. VA will measure its stewardship investments as expenses and include the amount in the Statement of Net Cost.

070103 REPORTING FOR RSSI: NON-FEDERAL PHYSICAL PROPERTY. VA will report its stewardship investments as unaudited Required Supplementary Stewardship Information (RSSI) in its Performance and Accountability Report, to include 5 years of data at the program level.

0702 POLICIES

070201 AUTHORITY FOR RSSI: NON-FEDERAL PHYSICAL PROPERTY.

- A. VA will provide financial assistance through Federal grants to the States to construct or acquire nursing home, domiciliary and/or adult day health care facilities.
- B. VA will provide Congress with reports of inspections, audits and reconciliations of records that provide assurance the State homes are delivering quality care to patients.
- C. VA will recover funds from the states or the owner of the facility when a facility for which a grant has been awarded ceases to be operated as called for by the grant.
- D. VA will provide financial assistance through grants to establish, expand or improve Veterans' cemeteries, as well as to operate and maintain them. States or tribal governments will provide the land and perform the actual operation of the cemeteries.

070202 ACTIONS FOR RSSI: NON-FEDERAL PHYSICAL PROPERTY.

- A. VA will recognize its stewardship investment expenses under the accrual basis of accounting and report amounts in nominal dollars.
- B. VA will expense the costs of its stewardship investment expenses and include the amount in the Statement of Net Cost.
- C. VA will measure stewardship investments in terms of expenses incurred for Federally-financed but not Federally-owned physical property.
- D. VA will obligate funds for its stewardship investments in Budget Object Code (BOC) 4110, Grants, Subsidies and Contributions to States.

070203 REPORTING FOR RSSI: NON-FEDERAL PHYSICAL PROPERTY.

- A. VA will report its stewardship investments as unaudited Required Supplementary Stewardship Information (RSSI) in VA's annual Performance and Accountability Report.
- B. VA will report its annual investments at a meaningful level (e.g., program level) and include data for the current year and the preceding four years.
- C. VA may report additional years' data if such data would provide a better indication of the nature of the investment.

D. VA may also report the total amount of any significant State and local contributions to any shared or joint programs.

0703 AUTHORITY AND REFERENCES

070301 38 U.S.C. 2408, Aid to States for Establishment, Expansion and Improvement of Veterans' Cemeteries

070302 38 U.S.C. Chapter 81, Subchapter III - State Home Facilities for Furnishing Domiciliary, Nursing Home and Hospital Care

070303 38 C.F.R. Part 59, Grants to States for Construction or Acquisition of State Homes

070304 38 C.F.R. Part 39, Aid to States for Establishment, Expansion and Improvement of Veterans' Cemeteries

070305 Federal Accounting Standards Advisory Board (FASAB), Statement of Federal Financial Accounting Concepts (SFFAC) No. 1, *Objectives of Federal Financial Reporting*, pars. 99-102

070306 FASAB, SFFAS No. 4, Managerial Cost Accounting Standards for the Federal Government

070307 FASAB, SFFAS No. 8, Supplementary Stewardship Reporting

070308 OMB Circular No. A-133, Audits of States, Local Governments and Non-Profit Organizations

070309 OMB Circular No. A-136 Financial Reporting Requirements

0703010 Treasury Financial Manual, Volume 1, Part 2, Chapter 4700, Agency Reporting Requirements for the Financial Report of the United States Government

0704 ROLES AND RESPONSIBILITIES

070401 The Assistant Secretary for Management/Chief Financial Officer (CFO) oversees all financial management activities relating to the Department's programs and operations, as required by the Chief Financial Officers Act of 1990 and 38 U.S.C. 309. Specific responsibilities include the direction, management and provision of policy guidance and oversight of VA's financial management personnel, activities and operations. The CFO establishes financial policy, systems and operating procedures

for all VA financial entities and provides guidance on all aspects of financial management.

070402 Under Secretaries, Assistant Secretaries, Chief Financial Officers, Fiscal Officers, Chief Accountants and other key officials are responsible for ensuring compliance with the policies and procedures set forth in this chapter.

0705 PROCEDURES

070501 AUTHORITY FOR RSSI: NON-FEDERAL PHYSICAL PROPERTY.

A. VA will provide financial assistance to the states to construct or acquire nursing home, domiciliary and/or adult day health care facilities. This financial assistance is provided through two grant-in-aid programs, as follows:

1. VA may provide up to 65 percent of the cost of construction or acquisition of state nursing homes or domiciliaries or in renovations of existing state homes.
2. VA will provide per diem payment for the care of eligible Veterans in state homes.

B. VA will assure Congress that State homes are providing quality care through inspections, audits and reconciliation of records conducted by the state home program managers and by the VA medical center (VAMC) of jurisdiction.

1. In accordance with 38 C.F.R. 59.125, a state will allow VA inspectors and auditors to conduct inspections and audits, as necessary, to ensure compliance with the provisions of Title 38.
 2. The State will also provide evidence that it has met its responsibility under the Single Audit Act of 1984 (Public Law 98-502) and the Single Audit Act Amendments of 1996 (Public Law 104-156) and submit the evidence to VA. In accordance with the provisions of OMB Circular No. A-133, issued pursuant to the above Acts, non-Federal entities that expend financial assistance of \$500,000 or more in Federal awards will have a single or a program-specific audit conducted for that year. Non-Federal entities that expend less than \$500,000 a year in Federal awards are exempt from Federal audit requirements for that year, except as noted in Circular No. A-133.
 3. The State will produce reports as required by the Chief Consultant, Geriatrics and Extended Care and give the Chief Consultant, Geriatrics and Extended Care, upon demand, access to the records upon which such information is based.
- C. If a facility for which a grant has been awarded ceases to be operated as a State home for the purpose for which the grant was made, VA will be entitled to recover funds

from the State, or from the owner of such construction, in accordance with the 38 U.S.C. 8136.

D. VA may provide up to 100 percent of the cost to establish, expand or improve Veterans' cemeteries. Grants may also be provided for the operations and maintenance of such cemeteries. States provide the land and agree to operate the cemeteries. For grants to tribal governments, the land may be trust land owned by or held in trust for the tribal government.

1. A grant relating to establishment, expansion or improvement of a cemetery shall be subject to the following conditions:

a. The amount of such a grant may not exceed -

(1) In the case of the establishment of a new cemetery, the sum of: (i) the cost of improvements to be made on the land to be converted into a cemetery; and (ii) the cost of initial equipment necessary to operate the cemetery; and

(2) In the case of the expansion or improvement of an existing cemetery, the sum of: (i) the cost of improvements to be made on any land to be added to the cemetery; and (ii) the cost of any improvements to be made to the existing cemetery.

b. If the amount of such a grant is less than the amount of costs referred to in subparagraph a(1) or a(2) above, the State or tribal government receiving the grant shall contribute the excess of such costs over the grant amount.

c. If a State or tribal government that has received such a grant to establish, expand or improve a Veterans' cemetery ceases to own or operate such cemetery as a Veterans' cemetery or uses any part of the funds provided through such grant for a purpose other than that for which the grant was made, the United States shall be entitled to recover from such State or tribal government the total of all grants made under this section in connection with such cemetery.

070502 ACTIONS FOR RSSI: NON-FEDERAL PHYSICAL PROPERTY.

A. VA will measure its stewardship investments on the same basis of accounting as used for financial statement purposes, including appropriate accrual adjustments, general and administrative overhead and costs of facilities. Amounts will be reported in nominal dollars. Refer to SFFAS No. 4 (See 070306 above) for a full discussion of Federal cost accounting principles and standards.

B. VA will expense the costs of stewardship investments in determining the net cost of operations and will include the expenses in its financial statements during the year the costs are incurred. Stewardship investment expenses will be reflected in the Statement of Net Cost.

C. VA will measure stewardship investments in terms of expenses incurred for Federally-financed but not Federally-owned physical property.

D. VA will obligate funds for stewardship investments using Budget Object Code (BOC) 4110. This BOC is used for the following types of transactions:

1. Grants and payments to States or tribal governments for the construction of Veterans cemeteries; and
2. Grants and payments to States for research purposes, construction of State extended care facilities and for care and treatment of beneficiaries at State homes. (For further information, see BOC definition 4110 Grants, Subsidies, and Contributions to States in VA Handbook 4671.2)

070503 REPORTING FOR RSSI: NON-FEDERAL PHYSICAL PROPERTY.

A. VA will report its stewardship investments as unaudited Required Supplementary Stewardship Information (RSSI), accompanying its audited consolidated financial statements, in VA's annual Performance and Accountability Report.

B. VA will report its annual investments at a meaningful category or program level (e.g., State Extended Care Facilities) and include data, in nominal dollars, on the investments for the year being reported upon and the preceding 4 years.

C. VA may report additional years' data if such data would provide a better indication of the nature of the investment.

D. VA may report the amount of significant State and local total contributions to shared or joint programs, although not required. If it is known, however, that other contributions in a significant amount were made, that fact (e.g., expressed as a percentage of the total program) will be reported even if the exact amount of the contribution is not known.

0706 DEFINITIONS

070601 Accrual Accounting. An accounting method that measures the performance and position of an entity by recognizing events regardless of when cash transactions occur. The general idea is that, for example, economic events are recognized by matching revenues to expenses at the time in which the transaction occurs rather than when payment is made or received. This method allows the current cash

inflows/outflows to be combined with future expected cash inflows/outflows to give a more accurate picture of an entity's current financial condition.

070602 Acquisition. The purchase of a facility to establish a State home for the provision of domiciliary and/or nursing home care to Veterans.

070603 Adult Day Health Care. Therapeutically-oriented outpatient day program, which provides health maintenance and rehabilitative services to participants. The program must provide individualized care delivered by an interdisciplinary health care team and support staff, with an emphasis on helping participants and their caregivers develop the knowledge and skills necessary to manage care requirements in the home. Adult day health care is principally targeted for complex medical and/or functional needs of elderly Veterans.

070604 Annual Investment. Refers to the full cost of the investment, as measured and accounted for in accordance with SFFAS No. 4, Managerial Cost Accounting Standards for the Federal Government. For definition of full cost, see 070612 below.

070605 Budget Object Code (BOC). Categories in a classification system that present obligations by the items or services purchased by the Federal Government.

070606 Construction. Refers to the construction of new domiciliary or nursing home buildings; the expansion, remodeling or alteration of existing buildings for the provision of domiciliary, nursing home or adult day health care or hospital care in state homes; and the provision of initial equipment for any such buildings.

070607 Cost. The monetary value of resources used or liabilities incurred to achieve an objective. Costs may be charged to operations immediately or, in cases where the cost relates to goods or services that will benefit future periods, to an asset account for recognition as an expense of subsequent periods.

070608 Cost of Construction. Refers to the amount found by the Secretary of Veterans Affairs to be necessary for a construction project, including architect fees, but excluding land acquisition costs.

070609 Disclosure. Reporting information in notes or narrative regarded as an integral part of the basic financial statements.

070610 Domiciliary Care. Shelter, food and necessary medical care provided on an ambulatory self-care basis (this is more than room and board). It assists eligible Veterans who are suffering from a disability, disease or defect to such a degree that they are incapacitated from earning a living, but do not require hospitalization or nursing care services. It assists in attaining physical, mental and social well-being through special rehabilitative programs to restore residents to their highest level of functioning.

070611 Expense. Outflows or other consumption of assets or incurrences of liabilities (or a combination of both) during a period from providing goods, rendering services or carrying out other activities related to an entity's programs and missions, the benefits from which do not extend beyond the present operating period. (Accounting for Selected Assets and Liabilities, SFFAS No. 1)

070612 Full Cost. The sum of all costs required by a cost object including the costs of activities performed by other entities regardless of funding sources.

070613 Human Capital Investments. Per OMB Circular A-136, these investments represent expenses that are included in net cost for education and training programs intended to: (1) increase or maintain national economic productive capacity and (2) produce outputs and outcomes that provide evidence of maintaining or increasing national productive capacity. This definition excludes education and training expenses for Federal civilian and military personnel. Continued categorization of human capital expenses as investment for stewardship purposes is predicated on demonstrated outputs and outcomes consistent with the intent of the program.

070614 Investment in non-Federal Physical Property. Refers to those expenses incurred by the Federal Government for the purchase, the construction or the major renovation of physical property owned by state and local governments, including major additions, alterations and replacements; the purchase of major equipment; and the purchase or improvement of other physical assets. Grants for maintenance and operations are not considered investments. The physical property is financed by grants from VA, but may be owned by either State or local governments.

070615 Nominal Dollars. The dollar value assigned to a good or service in terms of prices current at the time of the good or service is required. This contrasts with the value assigned to a good or service measured in constant dollars.

070616 Nursing Home Care. Accommodation of convalescents or other persons who are not acutely ill and not in need of hospital care, but who require skilled nursing care and related medical services.

070617 Recognize. Having determined the amount, timing, classification and other conditions preceding the acceptance and entry of a transaction, the recording of an amount on the books of account and the reporting of the amount on the face of the financial statements either individually or aggregated with other amounts.

070618 Required Supplementary Stewardship Information (RSSI). The category defined by the FASAB for reporting information required by the stewardship standards. Stewardship information may be presented as RSSI, in the financial statements, or in the notes to them. Stewardship information will be necessary for a fair presentation of financial position and results of operations.

070619 Research and Development. Federal investment in research and development refers to those expenses incurred in support of the search for new or refined knowledge and ideas and for the application or use of such knowledge and ideas for the development of new or improved products and processes with the expectation of maintaining or increasing national economic productive capacity or yielding other future benefits. Research and development is composed of basic research, applied research and development.

070620 Stewardship. The Federal Government's responsibility for the general welfare of the nation in perpetuity. (FASAB Concepts Statement No. 1, Objectives of Federal Financial Reporting)

070621 Stewardship Investment. Items recognized as expense in calculating net cost, but meriting special treatment to highlight the substantial investment and long-term benefit of the expenses. This would include non-Federal physical property, human capital (e.g., Veterans and dependents education and health professions education) and research and development.

070622 State and Local Governments. State and local Governments generally include the 50 States and the District of Columbia; cities, counties, townships, school districts, special districts, public authorities and other local Governmental units as defined by the Bureau of the Census; and Puerto Rico, the Virgin Islands and other U.S. territories.

0707 RESCISSIONS

None required.

0708 QUESTIONS

Questions concerning these financial policies and procedures should be directed as shown below:

VHA	VHA Accounting Policy (Outlook)
VBA	VAVBAWAS/CO/FINREP (Outlook)
All Others	OFP Accounting Policy (Outlook)